

## Modern slavery and human trafficking statement, 2017

Södra's set of values – value-generating relationships, a long-term approach – guide day-to-day procedures, unite the Group and support Södra's efforts to become a next-generation forest company. Södra creates value and reduces risk by acting responsibly in all relationships. The Group's Code of Conduct and Supplier Code are central to Södra's development as a responsible and attractive business partner.

This modern slavery and human trafficking statement has been prepared in accordance with the 2015 Modern Slavery Act (Section 54) and outlines Södra's efforts to prevent slavery and human trafficking.

### **This is Södra**

Södra is Sweden's largest forest-owner association, with more than 50,000 forest owners as its members. Södra is also an international forest industry group, with operations based on processing its members' forest products. Södra's operations are based on value-generating relationships and a long-term approach. The overall assignment from its owners is to promote the profitability of their forest estates by providing advice and support, so that members' forests can be managed responsibly and sustainably, and to contribute to a market-based return on their forest products. In 2017, Södra's net sales totalled SEK 20.5 billion and the number of employees was approximately 3,400.

The wood from members' forest estates is processed in Södra's mills and becomes sawn and planed timber, interior wood products, biofuel and pulp for the pulp market. Södra's mills are mainly located in Sweden, but also in Norway<sup>1</sup>, Finland, Lithuania<sup>2</sup>, the UK and Ireland. Södra owns forest in Estonia and Latvia. Almost 80 percent of the processed products from Södra's mills are exported. The largest export markets are the UK, Italy and Germany.

### **Supply chain**

Södra's purchases mainly comprise wood raw material, forestry contracting services, transport services, input products, investments and indirect materials and services. Södra's contracted suppliers are mainly based in Sweden and the EU, which simplifies evaluation and control.

Södra's supply chain is dominated by Södra's members who deliver wood raw material. The number of external suppliers of wood raw material and forestry contracting

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<sup>1</sup> The mill operations in Norway were divested on 1 Feb 2018.

<sup>2</sup> The mill operations in Lithuania (UAB SIWood) were divested on 1 July 2017.

services, as well as providers of transport services, input products, investments and indirect materials and services is about 1,200<sup>3</sup>.

### **Risks and risk management**

Södra is exposed to risks that could have a significant impact on the Group. Well-managed risks can become opportunities, while poorly managed risks often lead to damage and loss.

Södra works actively with preventive measures to minimise the identified risks. If this is not possible, risks can be offset by hedging or taking out insurance policies. Efforts to identify, assess and manage risks are an integral and key component of Södra's business management. The Treasury Unit is responsible for managing financial risk, based on a financial policy established by the Board. Operational risks are controlled and managed by the President, management team and employees, in accordance with central policies and guidelines.

### **Policies**

A Business Ethics Council is responsible for the development and implementation of Södra's business ethics policies and guidelines. The Council promotes company-wide standards, and strengthens the corporate culture in line with Södra's business ethics principles.

### **Code of Conduct**

Södra's Code of Conduct contains guidelines for how employees and other representatives of Södra, including Board members and elected representatives, are expected to behave. The principles of the Code of Conduct are based on the Universal Declaration of Human Rights, the International Labour Organization (ILO) Declaration on Fundamental Principles and Rights at Work and the OECD Guidelines for Multinational Enterprises.

The Code of Conduct contains guidelines on the rights, obligations and responsibilities of Södra's employees in regard to business practices, health, safety, working conditions, respect for human rights, the environment and sustainable forestry.

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<sup>3</sup> Wood raw material and forestry contracting services (excluding forestry contractors) refers to suppliers with annual sales of more than SEK 100,000 to Södra, and forestry contractors with annual sales of more than SEK 50,000. For other purchasing categories, annual sales of more than SEK 1,000,000 apply.

In 2017, the Code of Conduct was updated with reference to the Modern Slavery Act. In the Code of Conduct, Södra respects the right to freedom from forced labour, including slavery, servitude, human trafficking or labour as a form of abuse and child labour.

Suspected breaches of the Code of Conduct should be reported to the immediate supervisor in the first instance, alternatively to a senior member of staff, Södra's HR department or a union representative. There is an internal whistleblower function for Södra employees, or other people representing Södra, for reporting serious misconduct.

### Supplier Code

All of the Group's suppliers shall be covered by the Södra Supplier Code. Because Södra's members are private forest owners and own Södra, they are not covered by the Supplier Code. The Supplier Code applies not only to Södra's contracted suppliers (both verbal and written), but also to sub-contractors engaged by Södra's suppliers. Suppliers are responsible for ensuring that their sub-contractors comply with Södra's Supplier Code or equivalent requirements.

Södra's Supplier Code contains guidelines on the obligations and responsibilities of Södra's suppliers regarding business practices, working conditions, respect for human rights and the environment.

Södra's target was that the Supplier Code would be included in all supplier agreements by the end of 2017. The outcome for 2017 was 81 percent. The percentage of Södra's purchasing value in which suppliers had signed the Supplier Code was 98 percent.

The principles of the Supplier Code are based on Södra's policies and guidelines, the Universal Declaration of Human Rights, the International Labour Organization (ILO) Declaration on Fundamental Principles and Rights at Work and the OECD Guidelines for Multinational Enterprises.

In 2017, the Supplier Code was updated with reference to the Modern Slavery Act. Under the Supplier Code, the supplier agrees not to engage in or support the use of child labour, or participate in, benefit from, or allow any form of forced labour, including compulsory labour, slavery, servitude, human trafficking or labour as a form of abuse.

Both the Code of Conduct and the Supplier Code are available at [sodra.com](http://sodra.com).

### **Supplier audit**

Södra's target is that all suppliers holding supplier agreements with Södra will be risk-assessed, and that prioritised suppliers have been assessed in accordance with the requirements of the Supplier Code, by 2020. Prioritised suppliers are considered to be at higher risk of non-compliance. The supplier's risk classification will determine the review method chosen. In the event of higher risk of non-compliance, the supplier is requested to conduct a self-assessment and the operations are reviewed by monitoring the self-assessments, or by an on-site audit.

In 2017, suppliers accounting for 88 percent of Södra's total purchasing value were risk-assessed. The assessments resulted in 63 suppliers being classified as prioritised. 16 percent of the prioritised suppliers were reviewed by self-assessment, and 11 percent by on-site audits.

Södra's monitoring of suppliers was strengthened during the year by developing working methods and coordination between all of Södra's purchasing organisations. The review includes an assessment of the suppliers' management and control, requirements specification for supply chain control, business practices, working conditions, human rights, environment and quality. The supplier review is based on the Supplier Code, as well as the requirements for achieving forest certification. Certified members are reviewed on the basis of their forest certification programme. Non-certified members who have delivered wood to Södra during the financial year are also reviewed.

In 2017, 104 suppliers were reviewed. The reviews identified non-compliances among 11 suppliers. Identified non-compliances included deficiencies in relation to requirements specification, monitoring of sub-contractors and working hours. Södra signed agreements for improvements with 82 percent of the suppliers with identified non-compliances. No reviews led to the termination of a contract.

### **Training**

To raise awareness of the Code of Conduct, every employee takes part in a compulsory online training programme. Group Senior Management, management teams and key groups undergo an advanced programme. The Board has also undergone training in the Code of Conduct. Purchasing managers undergo continuous Supplier Code training programmes.

**Ongoing efforts**

Södra's ongoing efforts to prevent slavery and human trafficking include:

- Integration of the Södra Supplier Code in all of Södra's purchasing agreements.
- Implementation of assessment and monitoring of the Södra Supplier Code.
- Coordination of procedures for risk-assessing and monitoring suppliers across Södra's entire organisation.
- Training programmes for the Code of Conduct and Supplier Code.

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This modern slavery and human trafficking statement applies for Södra skogsägarna ekonomisk förening (corporate identity number 729500–3789) and pertains to the 2017 financial year. The statement has been approved by the Board.

18 April 2018

Lena Ek

Chairman of the Board, Södra